

California Bulletin 2020-3/ COVID-19 Premium Refunds, Credits, and Reductions Report

Explanatory Memorandum

Great West Casualty Company – NAIC Code 11371

Old Republic General Insurance Group, Inc. – Group Code 0150

Question 4 Explanation

Great West Casualty Company ("Great West") insures exclusively the commercial trucking industry. Commercial trucking has been treated as an essential industry across the United States, including in California. As a result, while some insureds have seen reduced exposure due to COVID-19, many of Great West's insureds have not. Thus, an across-the-board premium reduction was not appropriate for Great West's insureds. Instead, refunds, or premium accommodations, to insureds are made on a case-by-case basis depending on the insured's operations, exposure, and premium calculation program. Insureds' premiums can be set and adjusted in different ways depending on the size of the insured, its trucking operations, and the insured's preference. Refunds are therefore made to insureds in different ways depending on the insured's premium calculation method.

Commercial Auto

Reporting Policies. Great West's fleet insureds (over 9 power units) have the option of having premium calculated based on mileage reporting, unit reporting, or revenue reporting. For those insureds, the policy's structure provides the refund or accommodation based on reduced exposure as reported to Great West. If an insured sees reduced mileage or revenue, or ceases using certain units, the reported reduction will result in a corresponding reduction in the premium billed at the next billing period.

Non-Reporting Policies. Most of Great West's insureds are not reporting policies. For those policies, premium is not determined by a regular report from the insured and does not vary with reported exposures. For non-reporting policies, Great West has provided those insureds with the option of "spare rating" power units. Spare rating gives a lower rate to a unit that is treated as "spared" or not in active service on the policy. Great West has permitted insureds to spare rate units that are not in service due to COVID-19, which allows for a reduced premium that shows on the insured's subsequent billing statement.

Other Lines

Great West also is authorized to write Workers' Compensation, Inland Marine, Inland Marine-Cargo, Commercial General Liability, Truckers' Excess, Commercial Excess, Workers' Compensation Excess, and Umbrella policies in California.

Workers' Compensation. Great West does not have any California-domiciled workers' compensation policies. For other states with California exposures, as with reporting policies, reduced payroll reported results in reduced premium for an insured where appropriate. This also leads to reduced premium on any California-attributable payroll that is associated with a policy domiciled outside of California. Additionally, premium is reduced due to the reduced California experience modification set by NCCI.

Inland Marine, Inland Marine-Cargo, and Commercial General Liability. For a trucking company, exposures related to cargo and general liability are tied to its trucking operations. Therefore, Great West's premium for these lines is closely tied to the rating of the associated Commercial Auto policy, and the policies are sold together. As a result, the method for accommodating any commercial auto policy similarly impacts any associated policy in these lines, and they are not listed separately on the Worksheet.

Workers' Compensation Excess, Commercial Excess, Truckers' Excess, and Umbrella. Great West does not have any California-domiciled Workers' Compensation Excess, Commercial Excess, Truckers' Excess, or Umbrella policies.

Question 6(d) Explanation

Great West insures only the trucking industry. Our customers have not undertaken food or home delivery services, unlike insureds in other industries. Therefore, Great West has not extended coverage for delivery services beyond the delivery goods already insured as commercial trucking.

Worksheet Methodology

The refund calculation for the month of May does not include complete data at this time. Reporting policies are required to submit their information to Great West by June 15th, which is after the submission deadline. Therefore, the June refund amount is understated due to incomplete data based on the requirements of the policy. We do expect that the refund amount would be higher than listed if it included reporting data, though a specific amount is difficult to estimate precisely.